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Weekly Review

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April 4, 1975

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review.

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Cambodia: The Deteriorating Situation

Exit Lon Nol

A little more than five years ago, President Lon Nol assumed the mantle of leadership in Phnom Penh amid an impressive show of political support and a popular rush to arms to defend the new republic. The general relief and sound of exploding rockets that marked his departure from the capital this week testify to the depth of his misfortunes—and those of his government. Lon Nol and the group of officials and dependents accompanying him are scheduled to spend ten days on Bali as the official guests of the Indonesian government and then go on to the US.

Lon Nol has not resigned, and Senate president Saukham Koy is taking over his functions in accordance with the constitution. Saukham Koy and Prime Minister Long Boret—who is with the presidential party in Bali but plans to return to Phnom Penh—have both expressed hope that some compromise settlement can now be arranged with the Khmer communists. So far, however, there is no sign that the insurgents are willing to accept any arrangement other than a total government surrender.

Lon Nol was hardly airborne when Phnom Penh got some more bad news—the communists had taken Neak Luong and Banam, the last two government holdings on the lower Mekong River. Over 4,000 government troops and tens of thousands of refugees were in the two towns but, so far, only a handful of survivors have reached Phnom Penh.

The fall of Banam and Neak Luong will enable the communists to move a substantial portion of the 6,000 to 7,000 insurgent troops along the lower Mekong to Phnom Penh. Communist commanders have presumably begun calling in all available units in order to increase their attacks against the capital city. Although the US airlift to Pochentong airport is continuing despite daily shellings, the time is

rapidly approaching when ammunition stocks earmarked for Cambodia under present aid arrangements will be exhausted. Under these conditions, the government could fall before mid-month.

The Rebel Leadership

In the wings, insurgent leaders and their administrative apparatus stand ready to take the reins of power in Phnom Penh. The National United Front of Cambodia and the Cambodian People's National Liberation Armed Forces were created five years ago as the overt administrative and military organizations of the insurgency. Although Sihanouk's Royal Government of National Union may eventually be installed in Phnom Penh, to date it has had no significant role in Cambodia, serving merely as the institutional conduit for the insurgents' external relations. The insurgent apparatus within the country is controlled and directed by the Khmer Communist Party, which traces its origins back to the early 1950s and Ho Chi Minh's Indochina Communist Party. From a handful of leftist revolutionaries and senior Cambodian cadre from the Viet Minh, the Khmer party has expanded to a membership of over 10,000 led by about 20 central committee members.

Party leaders occupy virtually all key positions in the front and its mass organizations from the national to the local level, and party cadre form the backbone of the insurgency's military arm. The composition of the party leadership—the central committee—remains a closely guarded secret, however. Sihanouk's "defense minister" and "deputy prime minister," Khieu Samphan, is the best known of the senior leaders, but it is generally believed that Saloth Sar is the party secretary general and probably outranks Khieu in the central committee. Widely traveled Ieng Sary—who now handles most direct contacts with Peking and Hanoi—also appears to occupy a strong position in the committee hierarchy.



From left to right, front: Hou Yuon, Sihanouk, Khieu Samphan, Hu Nim, and Ieng Sary

The picture of the rest of the central committee is dim. It includes a couple of better known individuals such as Hou Yuon and Hu Nim; many lesser knowns such as Son Sen, Nuon Chea, Sok Thuok, Chou Chet, Tiv Ol, Koy Thuon; and a group of virtually unknown insurgent military commanders and regional party chairmen. Their relative ranking is a mystery. Hou Yuon and Hu Nim, for example, are given broad propaganda coverage.

they actually wield little power. Given the emphasis on the "armed struggle," it would seem only natural that military leaders like Nuon Chea and Son Sen would have more clout in the central committee than their civilian colleagues.

All known central committee members are fairly young—still in their 40s. Most qualify as Cambodian intellectuals and were educated during the 1950s in France—where they got their leftist if not their communist ideology. They subsequently worked as journalists or teachers. Khieu Samphan and Hou Yuon, in fact, have

doctorates in economics. A significant number have had considerable experience in politics: Khieu Samphan, Hou Yuon, and Hu Nim held cabinet portfolios under Sihanouk during the 1960s. Almost all the known or suspected party leaders are remembered as tough nationalists and articulate, unyielding ideologues even before their active involvement in the insurgency. Another collective trait appears to be long-standing opposition, and in many cases personal enmity, toward Prince Sihanouk. Saloth Sar, Ieng Sary, and Son Sen, for example, are among a number of current communist leaders who fled into the bush in 1963 following one of Sihanouk's periodic crackdowns on his leftist opposition. Despite sometimes intense persecution by the prince, others such as Khieu Samphan, Hou Yuon, and Hu Nim stuck it out until 1967 before bolting the capital.

All these common bonds can only have grown stronger as the result of five years of successful prosecution of the war. The party leaders have had their differences, but they have

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also worked together once a decision is reached. Given the apparent intellectual sophistication of most of the leaders, it is not surprising that there is some evidence of differences on international communist issues. Reports speak of heated ideological debates among Khmer communists previously attached to Sihanouk's entourage in Peking, and of "Soviet" and "Maoist" factions within the leadership. An apparently authoritative history prepared for the party's "22nd anniversary" last September pointed toward such debate in referring to a "state of disunity still existing in the party" and to "partisan factions."

One clearly defined area of friction has been the question of the party's ties with Hanoi. The relationship with the Vietnamese communists has always been ambivalent. Hanoi nurtured the Cambodian party while Sihanouk was in power, and the ties became even closer after the Vietnamese increased military support during the initial years of the current conflict. From the beginning, however, Hanoi has had to buck an undercurrent of Khmer suspicion and distrust rooted in Cambodia's historical experience with Vietnamese expansionism. As the party assumed responsibility for its own military and political affairs in recent years, its Vietnamese connection appears to have become even more contentious.

[redacted] Ieng Sary—who, along with several other top leaders, is supposed to have received training in North Vietnam—as the leading proponent of continued close ties with Hanoi. Khieu Samphan is frequently reported as heading a more nationalistic faction that has apparently had some success in strengthening the party's ties with Peking in order to balance Hanoi's influence. Peking, for its part, has appeared eager to cultivate these ties, both to prevent Vietnamese dominance over the Cambodians and to foreclose any possible intrusion of Soviet influence.

The party's already discernible drift toward some middle ground between Peking and Hanoi

may involve some practical considerations: North Vietnam's ability to extend postwar reconstruction aid to a communist-controlled Cambodia would be limited, while Peking would be in a position to provide liberal assistance to help rebuild the country's war-torn economy.

The leadership's now apparent willingness to retain Sihanouk as a nominal postwar leader also seems to have been dictated by future needs. Party leaders have long recognized that the prince has given their movement a legitimacy both inside and outside Cambodia that it would not otherwise have had. During a period of postwar consolidation, Sihanouk's value as a domestic rallying point and his ability to attract international recognition and economic support will help. The prince's close relationship with Chinese leaders was probably a consideration, and the party may, in fact, have been under some pressure from Peking to retain Sihanouk.

Nevertheless, the decision to accept even a severely circumscribed postwar role for Sihanouk must have been a bitter pill for many leaders. The prince symbolizes the old order under which many party leaders suffered and which the party has been struggling to replace with a revolutionary order. The party leaders know first hand that Sihanouk is an unscrupulous and adroit political operator, and they are probably more than a little suspicious of his intentions and of his capability to make mischief for the party. Sihanouk, for his part, appears painfully aware of the party's attitude toward him. His recent claims that he will not involve himself in postwar domestic affairs, limiting his activities instead to the sphere of foreign relations, may in fact reflect the arrangement he has been forced to accept as the price for any role. Similarly, his frequent references to the possibility of an early retirement probably reflect Sihanouk's recognition that his usefulness will decline and the pressures to jettison him will increase as the party gains confidence in its ability to rule and as the new regime's international position becomes established. [redacted]

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Vietnam: Disorder and Confusion

During the past week, communist forces have seized most of the remaining government areas in Military Regions 1 and 2 as Saigon's forces continued to fall back in disorder and confusion. The chaos of Da Nang, complete with milling crowds of refugees and shootouts between deserters and local police, was repeated on a smaller scale in Nha Trang and other towns along the central coast.

It appears that most of the equipment of government forces was left intact and is now in the hands of the communists. Some weapons and military stores were destroyed by well-disciplined individuals before they evacuated, but most of the heavy guns, trucks, tanks, and masses of lighter weapons were apparently abandoned in haste. For the first time since the North Vietnamese came south in strength, they will probably be able to drive straight down routes 14 and 1 toward Saigon.

The communists have moved quickly to control the populations abandoned by the government. At least a few cadre with bullhorns reportedly moved through the streets of Da Nang even before communist forces had come into town, asking the people to stay and cooperate with the new authorities. Two weeks ago, a communist broadcast offered good jobs to officers defecting from the government side. In one area at least, the communist appeals seem to have had some effect—the South Vietnamese 22nd Division reported that regional and popular forces had joined the communists in attacking positions held by the division.

So far, there has been little sign that Hanoi intends to expand the role of the PRG beyond the diplomatic field, where it has been used to attract foreign support for the communist cause in South Vietnam. There have been no announcements yet of a new PRG local admini-

stration in Pleiku, Da Nang, or any other recently captured city, nor have the communists established an interim capital for South Vietnam in any of the major cities now in their hands.

The South Vietnamese currently enjoy a slight advantage in men and firepower in the provinces around Saigon, but the North Vietnamese 341st and 316th divisions are believed to be in or approaching Military Region 3 from the north. The 320B Division, which recently crossed into South Vietnam, has appeared in Hue, and one of the other communist divisions in Military Regions 1 or 2 may shortly be heading south to help lay siege to Saigon. In North Vietnam, moreover, the 338th Division has been detected heading south, and it too may be destined to augment communist forces near Saigon.

So far, the panic that precipitated the collapse to the north has not yet become evident among the divisions protecting Saigon. Although the senior military leadership in Saigon seems to be providing little guidance to regional and field commanders, a number of these local commanders are making personal appearances in the field and generally encouraging their men to make a stand. Details of recent developments in the northern provinces, however, are trickling into Saigon and the will to fight of Saigon's remaining forces will be tested.

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President Thieu's prestige has been irreparably damaged and his effectiveness undermined by a growing sense of inevitable communist victory. Moves to force Thieu's resignation or ouster could occur at any time, but a change in leadership probably will not reverse the fundamental political and military trends now running against Saigon. A new government presumably would be prepared to seek and accept the best terms it could obtain from the communists. In the event of a rapid South Vietnamese military collapse, however, even the possibility of a transitional non-communist administration would disappear.

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INDOCHINA: ASIAN REACTIONS

Events in Cambodia and South Vietnam are generating reactions elsewhere in Asia that range from relative indifference to serious concern. Even in Peking, the developments of the past two weeks are being viewed as a sort of mixed blessing.

China is taking two different and somewhat contrasting lines on Cambodia and Vietnam, reflecting firm support for the insurgent effort in Cambodia, but manifesting a more reserved and less supportive view of Hanoi's offensive in South Vietnam.

Chinese press coverage on Cambodia emphasizes the "inevitability" of a rebel victory and gratuitously advises the US to terminate its involvement there before suffering additional embarrassment. By comparison, Peking's treatment of events in Vietnam is cautious, relying almost exclusively on North Vietnamese and foreign press reports. This caution on Vietnam probably reflects concern about the possibility of increased North Vietnamese and, more important, Soviet influence throughout Indochina as a result of recent communist successes. Peking will continue its efforts to expand its influence with both Sihanouk and the Khmer communists, not only to counter Hanoi but to impede possible Soviet incursions.

The less enthusiastic view of the deteriorating situation in South Vietnam is also due in part to Peking's concern that increased public support to Hanoi could have an adverse effect on Sino-US relations. The Chinese will not abandon their equities in Hanoi, however, and can be expected to increase attention to Vietnamese developments as the situation continues to deteriorate. For example, the first authoritative comment on the current offensive provided lukewarm support to Hanoi and was mildly critical of the US. Moreover, a North Vietnamese delegation headed by Politburo member Hoang Van Hoan arrived in Peking in late March and met with Vice Premier Yeh Chien-ying, presumably to discuss the situation in Vietnam.

Although most non-communist Asian countries expected that Hanoi would eventually dominate all of Indochina, the rapidity of the deterioration of the past two weeks has come as something of a shock. Since the late 1960s, many Asian governments have been gradually adjusting to the prospect of diminishing US involvement in the region, and of the need for accommodation with the communist powers. The collapse of non-communist governments in Indochina will not alter the fundamental process of adjustment, but it may force some acceleration of the pace.

Thailand is feeling a greater impact than any other country. The Thai will not regard a communist take-over in Cambodia and South Vietnam as an immediate threat to their security, but they are concerned over the long-term implications of potentially hostile neighbors along their eastern border. Bangkok will undoubtedly speed up the efforts already under way to disengage from US policies in Indochina, possibly by demanding an early halt to the Thai-based US airlift to Phnom Penh. While trying to preserve basic good relations with the US, Bangkok may also press for a firm agreement on US troop withdrawal. The Thai are exploring the possibility of strengthening the Association of Southeast Asian Nations as an alternative to relying on the US, and they plan to convene a meeting of the association's foreign ministers in Bangkok to discuss a common strategy on Indochina. The Thai may also try to advance their timetable for recognition of Peking and to renew approaches for a dialogue with Hanoi.

In Japan, despite the widespread shock and conflicting editorial advice emanating from the press, the government is reacting to developments in Indochina in a relatively even-handed way:

- Economic aid is being directed toward assisting refugees and away from projects that even indirectly contribute to the military potential of either side.

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South Vietnamese Marines evacuate Da Nang

- A new ambassador has been named to Saigon, in a business-as-usual gesture.
- Talks are continuing with Hanoi on economic aid and the opening of an embassy there.
- President Lon Nol has been refused permission to reside in Japan, but the government is actively supporting efforts to get Cambodian negotiations under way.

In broader terms, Japan has never felt its security to be directly tied to events in Indochina, and its current diplomatic posture will permit accommodation with whatever regimes emerge in the region. Indeed, within the Japanese government there is certainly as much, and perhaps a good deal more, concern about the US diplomatic setback in the Middle East—where Japan counts on the US to help avert another Arab-Israeli war and potential oil embargo. In any event, a number of Japanese have clearly linked the two events and are concerned about the capacity of the US to exert a global stabilizing influence.

Unlike Japan, the South Korean government has always seen important parallels between its own security situation and that of South Vietnam—though not Cambodia. Recent events have added to persistent concerns among South Koreans that the US might some day fail

to meet defense commitments to their country. Official concern is expressed fairly openly in the controlled press which lectures the US for not supporting its allies in Asia, causing "catastrophe" in the region, and encouraging Asian communist aggression. In seeking informal reassurances from their American counterparts, however, officials in Seoul are more guarded, draw distinctions with the South Vietnamese situation, and express confidence in South Korea's ability to defend itself. Their main concern at this point is the possibility that North Korea might be tempted to escalate its cautious air and sea penetrations into South Korean operational zones, creating a major test of US resolve to resist communist military intrusions. The North Koreans, for their part, have been among Hanoi's closest friends and are clearly exultant over communist successes in South Vietnam.

The Chinese Nationalists on Taiwan are also fairly critical of the US role in Indochina, with the local press accusing Washington of failing to recognize and effectively deal with what the Nationalists characterize as communist "ticks." Although clearly shocked by the rapid deterioration in South Vietnam and pessimistic about the prospects in Indochina generally, the press has been careful to avoid linking US "abandonment" of its allies there with the more important concern about the US commitment to Taipei.

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INDONESIA: THE OIL BONANZA

A \$4-billion rise in oil earnings has given Indonesia its best two years of growth—8-10 percent a year in both 1973 and 1974. As recently as the mid-1960s, the national economy was debt-racked and stagnant. The Suharto regime then rearranged its national policies and debt schedules, leading to an annual average growth for 1967-72 of 7 percent.

The recent acceleration results from the dramatic boosts in oil prices, an increase in the government's contractual share of oil revenues, and a 29-percent jump in oil output. The augmented oil revenues supported stepped-up spending on development projects, salary increases for government workers, the enlargement of national food stocks, greater imports of consumer and producer goods, and a build-up of foreign exchange reserves by nearly \$1 billion.

This year, Indonesia should achieve real growth of about 7 percent, despite the global recession. Increased imports of machinery and raw materials will promote rapid growth in agriculture, manufacturing, and the service sectors. Although the volume of exports will probably not grow this year, inflows of aid and private capital point to another sizable surplus in international accounts.

As the industrial world recovers from recession in 1976, Indonesian exports should again begin to grow at a rate adequate to permit sustained national output growth of 8 or 9 percent. Oil and natural gas revenues could nearly double by 1978. The Indonesians have adopted policies encouraging the oil companies to push production vigorously, and an increase of 60 percent is clearly within reach in terms of resources. Indeed, the Suharto government

would probably break out of the OPEC cartel rather than accept a pro-rationing scheme that would cost them substantial development gains.

Jakarta will continue its efforts to develop other sectors of the economy. In agriculture, increased use of high-yield rice varieties, chemicals, irrigation, and new techniques should support a growth rate of 4-5 percent a year. Manufacturing will probably grow about 10 percent annually, faster than in any other period in Indonesian history. Both foreign and domestic investment should rise rapidly in processed foods, metal fabrication, finished lumber, and chemicals.

Beyond 1978 the course of Indonesian growth will depend heavily on the international oil market. If prices remain unchanged in this period, Indonesia will probably be able to sustain the 1976-78 performance, meet its scheduled debt payments, and end the decade with ample foreign exchange reserves. This path would not require concessionary aid commitments beyond those already made, although it would entail official borrowing on near-commercial terms on the order of \$300 million annually.

Despite the encouraging growth outlook, per capita income will be only about \$200-\$225 in 1980, compared with the current \$150. The country will also continue to experience high levels of urban unemployment, intermittent pressure on the government to reduce the gap between rich and poor, and problems in transportation and communications that will inhibit development of national markets.

Oil rig assembly yard

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THE MIDDLE EAST

FURTHER REFLECTIONS

Initial recriminations in Egypt and Israel over the breakdown of disengagement negotiations have been tempered during the past week as each side has contemplated the implications—in terms of diplomatic stagnation and possible military action—of an end to US mediation.

President Sadat set a tone of moderation in a major address on March 29. Since then, spokesmen for both Egypt and Israel have spoken openly of possibly reviving the disengagement talks under US auspices. At the same time, Cairo went ahead and officially requested the US and the USSR, co-chairmen of the recessed Geneva peace conference, to reconvene the plenary talks.

In his speech, President Sadat hinted at a continued interest in US-sponsored bilateral negotiations, noting that Geneva is not the only framework Egypt has in mind for negotiations. In a later endorsement of Sadat's speech, the Egyptian People's Assembly repeated the oblique reference and added an explicit call for continued dialogue with the US. Unofficial spokesmen have told the press directly that Egypt would like to resurrect the bilateral talks.

The Israelis, too, have expressed an interest in resuming indirect bilateral talks with Egypt under US auspices before the conference reconvenes. Although Tel Aviv remains convinced that its final position before the disengagement negotiations broke off last week was correct, Prime Minister Rabin reportedly has ordered the high-level preparatory group he formed for those negotiations to continue its work and to come up with new negotiating proposals. Former foreign minister Eban, who reportedly was asked by the government to participate in a major campaign in the US aimed at preventing an erosion of Washington's support for Israel, has made it clear he believes Israel's first priority is to repair the "atmosphere and content" of Israeli-US relations.



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Egypt's formal request, on April 1, that the multilateral negotiations at Geneva be reconvened was clearly an effort to keep all avenues open—and to pre-empt criticism from other Arabs who have disparaged Sadat's sole reliance thus far on bilateral talks. Foreign Minister Fahmy announced that Egypt would also like to involve the UK, France, and "at least one" non-aligned country in the conference. The Egyptians apparently believe that broader participation will not only place greater pressures on Israel, but might also provide a safeguard against what President Sadat calls "polarization" of the super powers' positions.

Sadat set the scene for the appeal to outside powers with his speech last weekend, which launched a major diplomatic offensive. His announcement that he would reopen the Suez Canal on June 5 and extend the UN Emergency Force mandate in the Sinai Peninsula for three months beyond its scheduled expiration date of April 24 seemed intended to demonstrate his continued desire for peace. He directed his remarks in such a way as to place an obligation on "the world" and on Israel to help him attain it.

Sadat deliberately played down militancy and attributed his decisions to concern for world reaction. Rejecting policies inspired by anger and emotionalism, he stated his belief that Egypt cannot be responsible either for confronting "the international community" with a sudden crisis by canceling the UN mandate in April or for depriving the "peoples of the world" of the important Suez Canal trade route. By thus addressing himself to international opinion, he seemed to be saying that the international community must return the favor by pressing Israel for negotiating progress.

Sadat undoubtedly also intended that his decisions should put a burden on Israel to move toward peace and refrain from military provocation. A reopened canal could to some extent

serve as a restraint on Israel as well as on Egypt against renewing warfare, and the decision to extend the UN mandate will place equal obligation on each side to abide by the cease-fire. Although Sadat did not mention Israel in connection with the reopening of the canal, an Egyptian official later said that Israeli shipping would be excluded. He did not, however, specifically exclude Israeli cargoes on ships flying other flags.

Despite a generally lukewarm reaction to the specifics of Sadat's proposals, the Israelis reportedly believe that his speech strengthens the possibility that separate pre-Geneva talks with Cairo can be held. The rest of the Arab world, on the other hand, has reacted to Sadat's speech with silence, probably indicating a generally negative attitude. Sadat did not clear his decision on the UN mandate with Syria, whose mandate on the Golan Heights expires at the end of May, and the Syrians are probably once again resentful of his tendency to make major decisions unilaterally. Only hours before Sadat delivered the speech, Damascus radio stated that Egypt and Syria had decided not to renew either mandate unless "tangible" progress had been made toward achieving Israeli withdrawal.

Palestinian leaders, momentarily pleased at the breakdown of talks between Egypt and Israel, were alarmed at Sadat's reaffirmation of essentially moderate policies on March 29. The Palestinians are again worrying that Egypt might still attempt to reach a unilateral agreement with Israel, and that any such agreement would ignore Palestinian interests. Palestine Liberation Organization leaders feel threatened even by Egypt's moves to renew the UN mandate and open the canal. These initiatives draw attention to differences between Egyptian and Syrian policy, and to the fact that the Palestinians, to their immense discomfort, are caught in the middle.

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SUEZ CANAL

If the Suez Canal is reopened as early as June, the waterway will have less capacity than it had before it was closed in mid-1967. Night transits will be impossible and day operations curtailed because new navigation lights and systems for ship monitoring and communications are unlikely to be installed before October.

Ships using the waterway during the first months after it reopens will be limited to drafts of 35 feet, rather than the 38 feet permitted before the canal was closed.

The Canal Authority has worked out a temporary traffic control system and has trained a cadre of pilots. In a dry run during the first week in March, operations reportedly went smoothly. Before June, the British are to carry out a precautionary final sweep for explosives. This check is intended to reassure potential users and to dispose of any explosives thrown into the waterway by Egyptian land forces who cleared the shoreline.

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ON THE ROAD TO GENEVA

The Soviets are continuing to call for a resumption of the Geneva talks, but they seem to have reservations about rushing back to the negotiating table without a clear indication of where the chips may fall.

Although Moscow's propaganda broadcasts are aimed at keeping events moving toward Geneva, in private the Soviets still seem to have doubts about when and if the talks will be resumed. So far, the Soviets have not even commented on the Egyptian proposal for a return to Geneva. The Egyptians introduced an unexpected complication by suggesting that additional parties be invited—an idea that probably did not sit well in Moscow. In addition, the Soviets probably have a lingering fear that the US will continue to play a dominant role, even at Geneva. Last week, Y. D. Pyrlin, deputy chief of the Foreign Ministry's Middle East division, told a US official that the Arabs have not yet clarified their positions and that Moscow does not expect to know where things stand before mid-April.

The question of Palestinian representation at Geneva and the broader problem of Pales-

tinian disunity still trouble the Soviets. Pyrlin complained that the Soviets, who publicly recognize Arafat's leadership, cannot confer with the Palestinian leader unless members of his entourage are present. The Soviet official gave no sign that Moscow has a clear idea of how to get around the representation problem, but he did say that an effort is being made to schedule a visit to Moscow by Arafat in April.

The Soviet Union, nevertheless, is reportedly planning to send a 30-man contingent of Middle East experts to Geneva early in April in expectation of a resumption of the Middle East peace conference. Soviet embassies in the Middle East were instructed to begin forwarding reports directly to Geneva on April 1.

Discussing Soviet-Egyptian relations, Pyrlin confirmed that economic talks have been suspended, but that the Soviets expect them to resume by late April or early May. The main issues remaining are Egyptian debts and the integration of Soviet-Egyptian joint projects into Moscow's new five year plan. Pyrlin added that General Secretary Brezhnev would probably not go to the Middle East before autumn.

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RHODESIA

DEEPENING IMPASSE WITH NATIONALISTS

Prospects for a complete cancellation of settlement negotiations between Ian Smith's white regime and black Rhodesian nationalists increased this week as a result of a ruling against a major black leader by a court in Salisbury. The deepening impasse poses hard choices for South African Prime Minister Vorster and the leaders of the four black states who have been collaborating for months in a joint effort to mediate a solution.

On April 2, a special Rhodesian tribunal declared that the government's re-arrest of Ndabaningi Sithole a month ago—he had been released from ten years' confinement only last December—and his detention without trial were "fully warranted." The court did not rule on the accusation made by Smith's aides when Sithole was picked up, that he had plotted to kill rival leaders of the nationalists' African National Council. Instead, Sithole's detention was upheld on the basis of evidence—withheld from the public hearing before the tribunal last week—that he had encouraged terrorism by Rhodesian guerrillas and thus had undermined the true agreement the Smith regime concluded with the nationalists last December.

The change in the government's approach, which became apparent at the hearing, was almost certainly dictated in part by a weak case against Sithole on the plotting accusation. The broader charge is probably also viewed as likely to increase support among Rhodesian whites for the action against Sithole. Smith apparently is unconcerned—indeed, he may be glad—that the judicial decision makes more difficult a face-saving compromise between his regime and Sithole's colleagues on the council, who have vowed not to resume even preliminary talks with Smith until Sithole is freed or tried publicly. Smith went along with the truce and settlement effort only reluctantly, because of pressure from Vorster.

Vorster is surely highly displeased by Smith's apparent determination to keep Sithole

under detention. At a meeting last month, Vorster is believed to have leaned hard on Smith to release the black leader. Now, Vorster must either bring more effective pressure to bear on Salisbury—he has potential economic leverage in addition to the withdrawal of South African police units from Rhodesia, which is already well advanced—or risk seeing his policy of détente with black Africa go down the drain. He has committed much of his prestige to the policy.

The African mediators, who have similarly invested their prestige in the settlement attempt, had counted on Vorster to prevail on Smith to resolve the Sithole case satisfactorily. Publicly, they have backed the position of the Rhodesian nationalists on the issue and implied that their countries—Zambia, Tanzania, Botswana, and Mozambique—would support full-scale guerrilla warfare if Smith scuttled settlement negotiations. Privately, they have sought to restrain hard-line Rhodesian insurgent leaders, who also only accepted the truce under pressure. The role of the African mediators has evoked accusations from some other African states that they are sacrificing African interests and aiding Smith by cooperating with Vorster.

Last week, Zambia's President Kaunda risked additional African criticism when he boldly rounded up many Zambian-based Rhodesian insurgent leaders and ordered the constituent groups of the African National Council to terminate the separate organizational structures and facilities they have maintained in Zambia, despite their agreement in December to merge into the council.

If Kaunda has effectively clamped down on the insurgents' bases in Zambia, he may be in a position to forestall an early resurgence of guerrilla attacks in the wake of the Sithole decision. On the other hand, Kaunda may find it politically untenable to resist any new African pressures to step up the insurgency.

TRADE ROUTES THREATENED

Rhodesia could lose its vital trade routes through the ports of Lourenco Marques and Beira unless a constitutional settlement providing for black majority rule is worked out by June, when Mozambique becomes fully independent from Portugal.

Mozambique benefits substantially from the rail and port earnings it derives from handling Rhodesia's overseas trade. So far, Mozambique's transitional government, which is dominated by the black Front for the Liberation of Mozambique, has not applied the UN economic sanctions against Prime Minister Smith's regime. Front President Samora Machel is clearly aware, however, that after independence his country will be subject to increased foreign and probably irresistible pressures, especially from other African states, to participate in the sanctions.

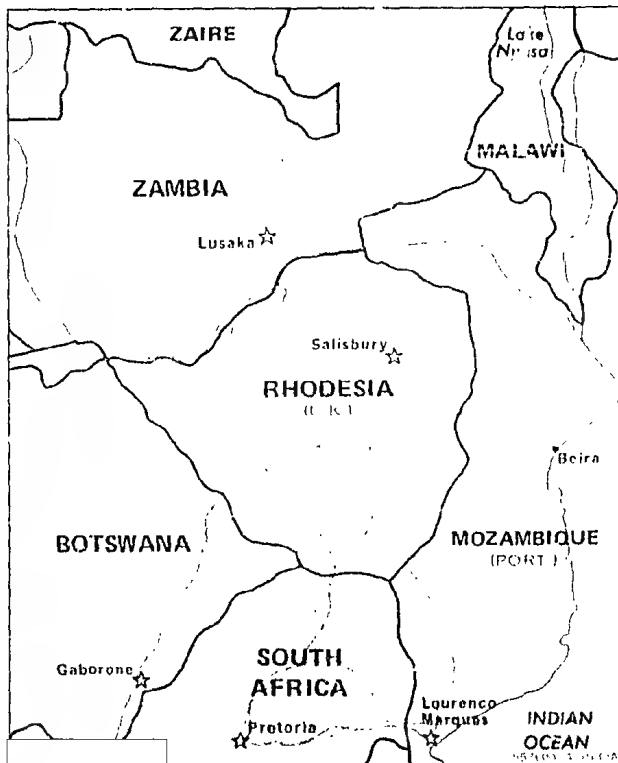
The impact of losing the Mozambique outlets would be severe as the two ports handle the overwhelming majority of Rhodesian trade. The alternative routes, two rail lines and two roads, would have to be substantially upgraded inside South Africa and Botswana to handle the increase in Rhodesian traffic. Moreover, South

African facilities already are heavily congested. As many as 40 ships have been lined up at the major east coast harbor at Durban, and Pretoria is unwilling to disrupt its own domestic services to accommodate diverted Rhodesian goods.

As a result, the loss of the Mozambique ports probably would force Rhodesia to cut its trade by more than half. Export earnings, mainly from agriculture, mining, and mineral processing, account for about 25 percent of Rhodesia's gross domestic product. A reduction in imports would not only cut into the delivery of parts and equipment needed to maintain capital stock but would also limit the supplies of fuel and raw materials for industry. Rhodesia is self-sufficient in most foods.

Rhodesia faces other significant economic problems that will probably slow economic growth this year even if Mozambique leaves the trade routes open. Unfavorable weather during the current growing season will result in a substantial reduction from last year's record harvests. Falling prices for Rhodesia's raw-material exports will reduce income from trade. A 10-percent tax surcharge, imposed in September to help pay increased military costs, will tend to dampen consumer demand. Moreover, the high cost of oil and other imports will continue to aggravate inflation, which doubled last year to about 7.5 percent.

The increasing economic troubles will reduce Rhodesia's attractiveness to white immigrants, who fill skilled and professional positions that are largely denied to blacks. A public relations program mounted early in 1974 to increase white immigration has been a failure—net immigration dropped to 600 persons in 1974 compared with 1,640 in 1973 and 8,840 in 1972. The white birth rate has been falling and is now less than 1 percent annually. Slowing growth in the economy will also retard the expansion of job opportunities for blacks, which are already barely keeping pace with the growth of the black population.



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ANGOLA: DONNYBROOK BEGINS

The transitional regime, in office less than three months, has been badly shaken by almost two weeks of intermittent clashes between armed members of the two largest of the three nationalist groups that share power in the government. Each group appears bent on gaining military dominance over the other before Angola becomes independent next November. Their rivalry could culminate in civil war well before then.

The fighting, which broke out on March 23, has set partisans of the National Front for the Liberation of Angola against those of the Popular Movement for the Liberation of Angola. Most of the violence has been centered in black slum areas of Luanda, the capital, although fighting has occurred elsewhere. Atrocities—by both sides—have been plentiful; on March 25 or 26, for example, National Front troops captured and then massacred 49 soldiers and civilians of the Popular Movement. At times, the exchanges of fire have been heavy, with mortars, bazookas, rocket-propelled grenades, and heavy machine guns employed. Altogether, more than 200 persons have been killed.

Portuguese soldiers, who are looking ahead to their departure over the next year, have had only limited success in curbing the fighting. They have been assisted by troops of the National Union for the Total Independence of Angola—the third group in the transitional government—which is striving for a law-and-order image. On March 28, a cease-fire agreement was signed following mediation by Portuguese Foreign Minister Antunes and Inter-territorial Minister Santos. The agreement has been consistently violated by both sides, however, and seems unlikely to take hold.

The two contending groups have been bitter rivals for more than a decade. Ever since their struggle against Lisbon ended some months ago, each has suspected the other of preparing for civil war, and both have been building up their forces. At the time the fighting broke out, the National Front had an estimated 2,000 troops in the capital—twice as many as the Popular Movement. To offset its numerical disad-



Antunes

vantage, the Popular Movement armed many untrained civilians, mainly unemployed teenagers.

Under the terms of the cease-fire agreement, the nationalist groups are each to limit their troop strength in the capital to 500 men. So far the National Front has refused to reduce its force until all civilians have been disarmed, as also called for in the agreement. Moreover, the National Front reportedly is bringing reinforcements—and more weapons—into Angola from its base in neighboring Zaire, where it enjoys strong backing from President Mobutu. The Front, however, apparently has no immediate intention of moving these troops into the capital.

Disarming the civilians could prove to be an impossible task even if the Popular Movement were to cooperate, which hardly seems likely. Most civilians would probably hide their weapons rather than give them up. The Portuguese army, which is trying to remain neutral, is unwilling to take on the responsibility for confiscating illegal weapons. Under the circumstances, Angola is almost certainly in for an extended period of internecine violence that will reinforce long-standing hatreds and the desire for revenge.

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THE KURDS: TIME RUNS OUT

The border between Iraq and Iran was closed on schedule this week upon the expiration of Baghdad's cease-fire with the Kurdish rebels and of the amnesty it had offered to those who surrendered by April 1. The closure, which halted the heavy flow of military and civilian refugees from Iraqi Kurdistan, was carried out in accordance with arrangements made by Baghdad and Tehran after they concluded their reconciliation accord in Algiers early last month.

An Iraqi force of about 100,000 troops began moving promptly to eliminate remaining pockets of resistance and to establish control over all Kurdish-inhabited areas of Iraq. Early reports indicated that the force was encountering little opposition. The approximately 9,000 rebels who last month vowed to continue the struggle are only lightly armed and appear to have little prospect of getting new supplies.

By agreement, some Iraqi troops were deployed on the Iranian side of the frontier to assist the Shah's forces in closing the border to additional refugees on March 31. In return, Iranian officers were sent over to the Iraqi side to man observation posts; Algerian observers were present in both countries.

The Iraqi government has agreed to accept, for an additional month, Kurdish refugees in Iran who want to return to Iraq. The extension was apparently requested by Iranian Prime Minister Hoveyda during his visit to Baghdad last week. Tehran was already providing shelter for some 140,000 Iraqi Kurds before its accord with Baghdad and is anxious for as many of these earlier refugees to return home as can be persuaded. The displaced Kurds are an administrative headache and also a potential security problem for Iran. An Iranian official estimated on April 1 that about 200,000 Kurdish refugees were in Iran.

Baghdad, for its part, is not very anxious to have any of the refugees return. To accommodate Tehran, which had asked Iraq to make a greater effort to reassure Iraqi Kurds in Iran that

they would not be subject to reprisals if they came back, an Iraqi Red Crescent team went to Iran last week to interview refugees. A US official in Iran reported later that the trip was a failure from the Iranian point of view.

Hoveyda's trip to Baghdad again underscored the public commitment of both sides to a smooth implementation of the Algiers accord. In a communique, issued after Hoveyda's departure, the two countries expressed satisfaction with the progress of their rapprochement and pledged to work for closer cooperation in all areas. According to an interview with Iraqi strong man Saddam Husayn Tikriti in a Tehran newspaper, cooperation may even extend to some kind of collective security arrangement in the Persian Gulf. The statement attributed to Saddam Husayn goes well beyond the official communique, which said only that the two sides "affirm that the region should be spared all foreign interference." Until the recent accord, Baghdad was actively promoting gulf security arrangements directed specifically against Iran.

There has been no official Iranian comment on the interview. The Shah has, however, frequently spoken of his desire for security cooperation among Persian Gulf countries, arguing that defense should be the responsibility of the littoral states. Up to now he has excluded Iraq from such an arrangement and has supported the US naval presence in the gulf as a counter to Soviet naval activity in the area. He has considered this activity—and, indeed, Soviet influence in Iraq—a threat to the security of both Iran and the gulf.

Reducing Soviet influence continues to be one of the Shah's principal foreign policy goals. He probably hopes to use his accord with Saddam Husayn—and the resulting collapse of the Kurds' rebellion—to press Baghdad, directly and through other Arab governments, to reduce its reliance on Moscow. The Shah, in turn, will almost certainly be called upon, at least by the more radical Arabs, to demonstrate that Iran is not a mouthpiece for US policy in the area.

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SAUDI ARABIA: SETTLING IN

Last weekend the new Saudi leadership announced some top-level appointments that partially clarify the power relationships under newly installed King Khalid. The King has asked the Council of Ministers to stay on, and the new regime appears set for a while.

Following the precedent established by assassinated King Faysal, Khalid took the titles of prime minister and foreign minister. The US embassy in Jidda believes, however, that Crown Prince Fahd, who has advanced from second to first deputy prime minister, will probably assume most of the functions of prime minister. Khalid, who held the post of first deputy prior to his accession, never showed much interest in affairs of state.

Prince Nayif—one of seven full brothers, including Fahd, who together form the royal family's strongest power bloc—has been moved up from vice interior minister to minister of state for interior affairs. The promotion makes Nayif a member of the Council of Ministers, giving Fahd additional support in that key group. Nayif will run the Interior Ministry on a day-to-day basis under the aegis of Fahd, who keeps the ministerial title.

Somewhat balancing the gains by Fahd's camp, national guard commander Prince Abdallah, a strong supporter of Khalid, has been named second deputy prime minister. For some time before Khalid became king, Abdallah apparently had been urging him to wield power in his own right if he got the chance, instead of leaving it to Fahd. The step up the ladder by Abdallah—he is now number three in the hierarchy—probably galls Defense Minister Prince Sultan, another brother of Fahd, who has suffered a de facto loss of place by the action.

The appointment of Prince Saud, one of Faysal's sons, as minister of state for foreign affairs does not appear to strengthen either camp and may have been intended as a mark of respect for the late king and as a gesture to younger members of the ruling family. Saud is

intelligent and well educated, but he did not play a significant role as deputy oil minister in his previous post, perhaps because oil minister Yamani's dynamic personality gave him little scope. The extent of Saud's actual power in his new job may well depend on the strength of his relationship with Fahd, his uncle. Relations between them are now apparently good, although this was not always true in the past.

In a statement on March 31 that generally stressed continuity with Faysal's policies, Khalid—speaking through Fahd, who delivered the speech—announced his intention to form a "consultative council" at some time. He claimed Faysal had planned such a council, but had died before he could establish it. Khalid did not elaborate on the concept, which may, in fact, have originated with Crown Prince Fahd. It has reportedly been under consideration for at least a year within Saudi ruling circles.

Khalid

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Goncalves

PORTUGAL: CAMPAIGN BEGINS

After two postponements, the campaign to elect a constituent assembly officially opened on April 2. The ruling Armed Forces Movement, however, lost no time in demonstrating that it plans to dictate the provisions of the new constitution to the popularly elected assembly.

Thus far, the election campaign has been free of the harassment of democratic parties that had marked political rallies in recent weeks. Charges by the Communist Party and an ultra-leftist student group, each claiming that the other attacked its headquarters, are the only incidents reported so far. Last week, the Revolutionary Council established stiff penalties, in-

cluding jail sentences and fines, for anyone attempting to disrupt the campaign. It also outlawed permanently the ultraleftist Reorganizing Movement of the Proletarian Party, a major offender in earlier incidents.

The election scheduled for April 25 is the first opportunity for the Portuguese people to express their views on the revolutionary policies being pursued by the Armed Forces Movement. Moderates have been hoping for a strong showing by their parties in order to convince the Movement that its more radical policies have no popular support. They also hope to demonstrate that the communists and their sympathizers have representation in the government greatly out of proportion to their standing with the electorate.

On April 3, the Movement took another step that seems designed to reduce the role of the constituent assembly that will be elected. It gave political parties 48 hours to approve a plan that reportedly will ensure continuing military dominance of Portugal's affairs for three to five years. Although details have not been released, the Movement's plan probably spells out provisions of the new constitution dealing with its own role. Under the terms of the Movement's program issued immediately after the coup last April 25, the popularly elected constituent assembly was to have been solely responsible for drafting the constitution.

In another important development this week, Prime Minister Goncalves established a council within his newly appointed cabinet. The body will be composed of Goncalves, the four ministers without portfolio representing the four coalition parties, three military ministers, and the minister of information. This council will meet weekly to set legislative policy, and its decisions will be ratified by the full cabinet. While the measure is primarily a move to increase efficiency and to minimize inter-party conflicts, it also could be an effort to lessen disagreement over legislation that the Movement wants enacted.

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TURKEY: A NEW GOVERNMENT

With the formation of a four-party right-of-center coalition, Justice Party leader Suleyman Demirel took over the reins of government from Prime Minister Sadi Irmak on March 31. Demirel will present his government program to parliament on April 6 for debate and a confidence vote. He has a narrow majority in parliament, but former prime minister Ecevit is waging an intense campaign to split off some of his support and defeat him. Even if Demirel fails to receive a vote of confidence, he would stay on in a caretaker capacity until another government could be formed.

The new government is built on a shaky foundation. Demirel must depend on support from outside his coalition for a majority. The coalition itself is fragile, based primarily on the shared opposition of the four rightist parties to Ecevit's left-of-center Republican People's Party. In addition to Demirel's Justice Party, the cabinet includes the National Salvation Party, the Republican Reliance, and the National Action Party.

Demirel is likely to run into trouble in trying to work with Salvationist leader Erbakan and National Action leader Turkes, both of whom were appointed deputy prime ministers. It was Erbakan's erratic and obstructionist behavior as Ecevit's coalition partner that brought down the government last September. Turkes has been associated with right-wing extremists, and his party claims to have 100,000 "commandos" at its disposal. The presence of these two parties in the government is likely to contribute to further political polarization and raises the possibility of increased violence.

Outbreaks of violence by opponents of the new government could work to Ecevit's advantage in his effort to prevent Demirel from gaining the vote of confidence. Ecevit's primary interest is in getting parliament to call early elections, which he still believes he would have a good chance of winning. If Demirel succeeds, on the other hand, he is not likely to move to elections unless his coalition runs into trouble.



Demirel

No sharp turns in Turkish policy are likely under Demirel, although his coalition partners will probably try to move him further to the right and press him to harden the government's stance toward a Cyprus settlement. The National Salvation Party will be in a better position to influence government policy on domestic matters than on foreign affairs because the Justice Party gave the Salvationists several important economic portfolios.

In foreign affairs, Demirel will have the assistance of Foreign Minister Ihsan Caglayanil of the Justice Party, who served in that same post in an earlier Demirel government. The defense minister, Ferit Melen of the Republican Reliance, is also capable and respected. He served as both defense minister and prime minister in the period following Demirel's ouster by the military in 1971.

Clarifying his policy toward a Cyprus settlement, Demirel has announced that the "only solution is a two-zone federal system." He has reiterated his belief in close relations with the US and NATO, but has warned that these relations will suffer unless there is an early resumption of US military assistance to Turkey.

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INTERNATIONAL OIL: MEETING IN PARIS

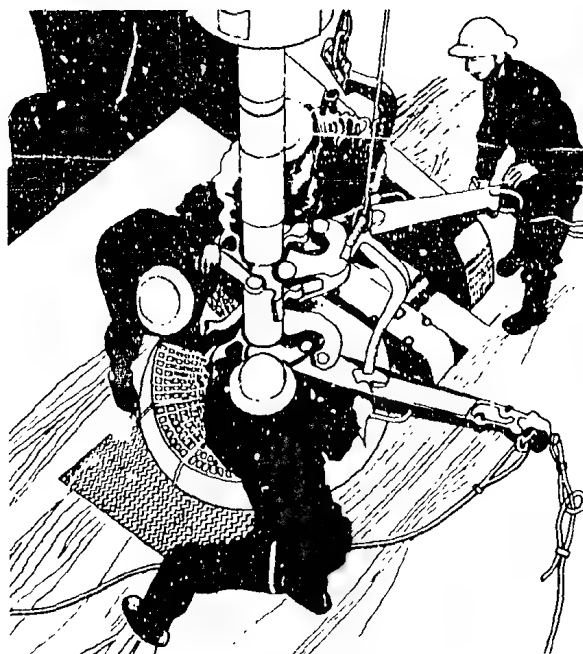
The first preparatory meeting for the French-inspired conference of oil producers and consumers opens in Paris on April 7. The principal concern of the meeting will be to agree on the agenda and the participants for the main conference to be held later this year.

French President Giscard has invited three groups to attend:

- The developed states, represented by the US, Japan, and the EC.
- The developing states, represented by Zaire, India, and Brazil.
- The oil producers, represented by Iran, Saudi Arabia, Venezuela, and Algeria, all of whom are OPEC members.

The developing and the oil-producing states will meet in Paris over the weekend to coordinate strategy for the preparatory meeting. They seem likely to side together against the industrialized states. Among the oil-producing states, Algeria and Venezuela in particular will emphasize their ties with the developing world. Both would like to see the main conference go beyond a discussion of world energy concerns to include yet another examination of worldwide development strategies and the role of other raw materials. Iran and Saudi Arabia, less firmly allied with the developing states, will back only limited discussion of development issues in tandem with energy talks.

In fact, the seven states will be even less of a monolithic bloc than might appear. Algeria, the most radical, has dominated the Third World's efforts in economic forums in the last year. India, a former leader of the developing world, has been hardest hit of all the participants by the increase in oil prices. Brazil, at the other extreme, is an emerging semi-industrialized state, with a growing oil-producing capability. Venezuela will try to balance its roles as both a developing state and an oil producer, hoping to demonstrate its new importance in international forums while



asserting its claim to leadership of Latin American states.

The three participants representing the industrialized nations have prepared their position carefully in the International Energy Agency. The 17-member agency, which was founded last November, will sit as an observer at Paris. As the meeting proceeds, its members have agreed to confer whenever necessary to coordinate policy.

France, the only EC state that has not joined the energy agency, may make it difficult for the EC to arrive at a common position. Only last week, Paris apparently began dragging its feet again on points that the other eight believed had been settled. Paris was the lone holdout, for example, when the EC permanent representatives committee met in Brussels to consider the final wording of community plans for oil conservation and information control. Although the French representative argued that the timing of the EC meeting was inopportune, it is more likely that Paris was miffed at having to follow the lead of the energy agency. The French may well agree ultimately on the plans, but they mean to show that they can at the very least still make their influence felt.

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Presidents Echeverria (r) and Perez sign communique following recent meeting

MEXICO: VISITING VIPs

Five presidents, a Shah, a queen, a prince, a prime minister, a premier, a vice premier, and a former chancellor have made official visits recently to Mexico or are scheduled to do so in the next three months. This steady stream of foreign dignitaries reflects President Echeverria's campaign to enhance Mexico's prestige and standing as a leader in Latin America and the Third World. Echeverria is also eyeing a Nobel Peace Prize and, possibly, the job of UN secretary general after his presidential term is up in two years.

Queen Elizabeth, Prince Bernhard of the Netherlands, Venezuela's President Perez, and former West German chancellor Willy Brandt have already made appearances. Making the rounds from March 27 to April 4 was China's Vice Premier Chen Yung-kuei, the highest ranking Chinese official to visit a Western country since the end of the Cultural Revolution in 1966. The vice premier toured the countryside, comparing notes with Mexican agrarian officials. Coming attractions are presidents Ceausescu of Romania, Tito of Yugoslavia, Nyerere of Tanzania, and Senghor of Senegal. Also on the

schedule are Sweden's Premier Palme and Prime Minister Manley of Jamaica. The Shah of Iran is scheduled to arrive on May 11 for a six-day stay.

Except for the African heads of state and the Shah, the guests are returning visits made by Echeverria during the past couple of years, but scheduling them in such rapid order shows that the Mexican leader is energetically seeking to put Mexico—and himself—in the limelight. Despite the fact that both Perez and Echeverria are making an obvious grab for leadership in the hemisphere, the Venezuelan's visit went quite smoothly. The two presidents agreed to create the Latin American Economic System, an organization that will exclude the US, later this year.

As they have with all visitors to date, Mexican officials will attempt to win support for Echeverria's brainchild, the Charter of Economic Rights and Duties of States, which the President feels puts him in the running for the peace prize. The attempt to sell the charter was not notably successful with Willy Brandt, who praised it for its "guiding principles," but judged that it required refinements to meet the

legitimate needs of the industrialized nations. Echeverria should have much better success with Premier Palme and the East European and African leaders.

When the Shah arrives, the Mexicans are likely to stress the opportunities for investing in Mexico. One report indicates that Mexico hopes to influence Iran to invest in a Yucatan tourist project. The Shah, for his part, may try to interest Mexico in joining OPEC. Mexico is currently not anxious to become a member because it enjoys the high OPEC-set oil prices but is not subject to US trade restrictions on the organization's members.

In addition to the visiting VIPs, Mexico is pushing to play host to more and more international conferences as well as for positions in international organizations. For example, Mexico is proposing its attorney general for chairmanship of the UN Commission on Narcotic Drugs and is campaigning hard for Mexico City to be chosen as the headquarters site of the World Tourism Organization. Echeverria has also invited the Club of Rome to meet in Mexico this year.

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CHILE: BRACING FOR WINTER

Economic forces largely beyond the military government's control portend a bleak winter for Chile. Low world copper prices are depressing export earnings while the cost of essential imports remains high. An impending huge balance-of-payments deficit means that imports will have to be cut by 35 percent. This will sharply reduce total output and lower employment and living standards. Thus far no steps have been taken to curb imports. Instead, the armed forces leaders, acutely aware of the potential political impact of economic hardship, are seeking to ease the government's current austerity program in order to avert massive popular unrest. Their civilian advisers, however, are worried that welfare measures will jeopardize

the attack on inflation and thus worsen the nation's chances for long-term economic progress.

The government has announced new wage bonuses for lower paid workers and pensioners. It has begun funding temporary hiring of the unemployed by local municipalities and reportedly plans to provide free food directly to widows with children, the aged, and others who cannot support themselves. When the inevitable import curbs finally come such programs are bound to be expanded, and the fight against inflation will suffer severely.

The government's civilian economists believe that the armed forces' concern with the immediate impact of austerity is causing them to underestimate the political and economic dangers of failing to control inflation. The civilians want to cut the central government budget deficit drastically and break the inflationary spiral with a deflationary "shock," despite the fact that this means greater short-term austerity and unemployment. Even if this advice were to be accepted, the civilians' approach would have to be abandoned later this year as the magnitude of the economic deterioration that will be caused by import curbs sinks in. At the moment, however, the military men are focusing on other remedies for inflation, such as direct controls on prices. Price controls have already been reimposed on items such as textbooks and school uniforms, and manufacturers of clothing and shoes have been ordered to begin direct sales to the public at prices not more 10 percent above wholesale.

A widespread belief that monopolists, middlemen, and other privileged economic groups have been reaping windfall profits from excessive mark-ups and financial speculation has led senior military figures to renew previous warnings that such abuses will no longer be tolerated. Arrests have been made in cases of alleged tax evasion and infraction of foreign-exchange and other economic regulations. The long-threatened major crackdown could be in store as winter comes to the Southern Hemisphere.

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President Peron with Lopez Rega (directly behind her)

point where she can no longer ignore the powerful trade union organizations without risk of losing their support.

Aside from the agreement to talk, labor leaders will probably demand: a larger share of power; changes in the cabinet, including the removal of Lopez Rega; and some other substantial concessions, particularly a large role in economic policy planning. Labor's views are widely shared by others, including the military, opposition parties, and many moderate Peronists, including cabinet members and the influential governor of Buenos Aires Province. Mrs. Peron's apparent unwillingness to sack Lopez Rega, however, could stand in the way of an accommodation.

Mrs. Peron is holding meetings with representatives of other political parties in an effort to stem the rising tide of opposition to her government. Spokesmen for the President are promising a conciliatory approach on her part.

The influential Peronist newspaper *Mayoria* has billed the coming round of talks as possibly the last chance "to eliminate men and procedures that damage the government and distort the thought and programs of Juan Peron." There is no evidence, however, that Mrs. Peron will heed the demands to get rid of Lopez Rega. Under the circumstances, it is increasingly probable that her political position will deteriorate further.

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ARGENTINA: LABOR DISCONTENT

President Peron, trying to soften the mood of confrontation that has developed between the Peronist labor movement and her government, has agreed to meet with key labor spokesmen on April 4. At this stage, the prospects for a successful outcome are not bright, but a clash may be temporarily averted.

Mrs. Peron's aloofness and her reliance on Social Welfare Minister Lopez Rega have angered labor, which is the backbone of the Peronist movement. Pressure has grown to the

CANADA: ELECTIONS IN ALBERTA

Premier Lougheed's sweeping victory in Alberta's provincial election on March 26 reaffirmed public support for his tough energy policies. Lougheed and his Progressive Conservatives wanted a strong mandate to strengthen their hand at the federal-provincial energy conference set for April 10. Alberta leaders will go to the conference determined to obtain higher domestic prices for the province's important oil and natural gas resources.

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Although a decisive Progressive Conservative win was never in doubt, even his most ardent supporters were surprised by the magnitude of Lougheed's victory—69 of the 75 seats in the provincial assembly. The Social Credit Party, which controlled the government for thirty years prior to 1971, dropped from 24 seats to 4; Independents won one seat. The left-wing New Democratic Party barely kept its one seat while the Liberals—Prime Minister Trudeau's party—failed to win even a single seat.

Throughout the campaign Lougheed stressed the need for solid public support in petroleum negotiations with Ottawa. The rivalry between Ottawa and the western provinces was evident in Lougheed's campaign tactics, in which he emphasized that a vote for his party was a vote for Alberta and that a vote for Alberta was a vote for western Canada. Albertans, who feel they have been slighted by Ottawa, have been pressing for more control over their own affairs.

Lougheed's ability to present himself as the spokesman for Alberta in the debate with Ottawa over commercial and political issues was the key to his landslide victory. Now that Alberta's oil and natural gas resources—over 80 percent of total Canadian production—have supplemented its agricultural wealth, Albertans feel they have the economic muscle to call the tune in the struggle over provincial-federal supremacy. Albertans hope to erase "the master-servant relationship" they feel has dominated relations between Ottawa and Alberta. In addition to trying to get higher prices for oil and natural gas at the upcoming conference, Lougheed will insist that the federal government back down on its plan to tax the oil industry on royalties paid to the province. Lougheed's impressive victory does not augur well for future relations between Ottawa and Alberta, now rapidly replacing Quebec as the federal government's chief provincial headache.

HONDURAS: MILITARY TAKES COMMAND

Honduran military leaders have persuaded Chief of State Lopez to relinquish command of the armed forces, and they probably intend to assume wider responsibility for directing the affairs of the country. Lopez will remain as chief executive, according to an announcement issued March 31 by the Superior Defense Council.

Lopez' removal from the position that he had used since the late 1950s to guarantee his control of the government is the latest step in a process under way for several months in which senior military officers have taken over a larger share of decision making.

Colonel Juan Alberto Melgar, a protege of Lopez, has succeeded him as armed forces commander. Melgar, who previously demonstrated little interest in affairs of state, will probably depend heavily on the advice of a collegium of military officers, including younger ones who reportedly have persuaded their superiors that decisive leadership is needed.

Dissatisfaction with Lopez has grown steadily in the military during the last year or so. Despite strong pressure from fellow officers, deteriorating economic conditions, and deep divisions in his government, Lopez continued to procrastinate. Important decisions, including the need to replace the foreign minister who resigned last October, were put off, and relief efforts for the victims of the hurricane last year have faltered.

Although his power clearly has been circumscribed, at least for the time being, Lopez can still summon powerful support. His extensive web of business interests and the continued loyalty of some top officers—perhaps including Melgar—could enable him to regain a pre-eminent part. Whatever his role, nonetheless, it seems likely that the military will now provide more dynamic leadership and pay more heed to the advice of younger, reform-minded officers.

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